

1 LATHAM & WATKINS LLP  
2 Colleen C. Smith (Bar No. 231216)  
3 colleen.smith@lw.com  
4 600 West Broadway, Suite 1800  
5 San Diego, California 92101-3375  
6 Telephone: (213) 485-1234  
7 Facsimile: (858) 891-8763

8 LATHAM & WATKINS LLP  
9 Alan E. Kraus (*pro hac vice*)  
alan.kraus@lw.com  
Elizabeth R. Marks (*pro hac vice*)  
betsy.marks@lw.com  
10 885 Third Avenue  
New York, New York 10022-4834  
Telephone: (212) 906-1200  
Facsimile: (212) 751-4864

11 Attorneys for Hughes, Hubbard & Reed LLP

12 UNITED STATES DISTRICT COURT  
13 SOUTHERN DISTRICT OF CALIFORNIA  
14 SAN DIEGO DIVISION

15  
16 GABRIEL TECHNOLOGIES  
17 CORPORATION and TRACE  
TECHNOLOGIES, LLC,

18 Plaintiffs,

19 v.

20 QUALCOMM INCORPORATED,  
SNAPTRACK, INC. and NORMAN  
21 KRASNER,

22 Defendants.

CASE NO. 08-cv-1992 AJB MDD

**HUGHES HUBBARD'S OPPOSITION  
TO DEFENDANTS' MOTION FOR  
ATTORNEYS' FEES**

Hearing:

Date: January 17, 2013

Time: 2:00 PM, Courtroom 12

Judge: Hon. Anthony J. Battaglia

1  
**TABLE OF CONTENTS**

	Page
2	
3 PRELIMINARY STATEMENT .....	1
4 ARGUMENT .....	3
5 I. DEFENDANTS HAVE NO STATUTORY OR COMMON LAW BASIS FOR	
6 SANCTIONING PLAINTIFFS' COUNSEL .....	3
7 A. There Is No Authority for Sanctioning Attorneys Under Either 35	
8 U.S.C. § 285 or Cal. Civ. Code § 3426.4.....	3
9 B. Legal Standards Under 35 U.S.C. § 285 and Cal. Civ. Code	
10 § 3426.4.....	4
11 C. Legal Standard Under the Court's Inherent Authority to Sanction	
12 Attorneys.....	5
13 II. HUGHES HUBBARD'S SUBJECTIVE GOOD FAITH CANNOT FAIRLY BE	
14 QUESTIONED.....	6
15 A. Defendants' "Corrupt-Officers-and-Directors"-Assisted-by-a-	
16 "Convicted-Felon" Argument Is Irrelevant to Hughes Hubbard.....	7
17 B. Defendants Have Mischaracterized Emails Between Ex-Employees.....	7
18 C. Hughes Hubbard's Good Faith Is Beyond Question.....	8
19 1. Hughes Hubbard's Due Diligence .....	8
20 2. Plaintiffs Had A Credible Story .....	8
21 3. Plaintiffs' Claims Were Corroborated by Four Experts .....	12
22 4. Posting the \$800,000 Bond Confirmed Plaintiffs' Belief in	
23 Their Case .....	13
24 5. The North Water Investment Furthered the Good Faith of the	
25 Case.....	13
26 III. DEFENDANTS' EXAMPLES OF "LITIGATION MISCONDUCT" ARE ILL-	
27 FOUNDED .....	14
28 A. The Filing of the Fifth Amended Complaint .....	14
B. Gabriel's Relocation to California Was Not a Deception.....	15
C. The Angus Contingent Interest Is a False Issue.....	16
D. The Sham Affidavit Rule Was Applied Very Broadly Here .....	17

1	E.	Plaintiffs' Trade Secret Designations Were Served in Good Faith .....	19
2	F.	Milgrim's <i>Amicus Curiae</i> Brief Was Submitted in Good Faith. ....	20
3	G.	Supplementation of Interrogatory Responses Shows Good, not Bad, Faith.....	21
4	H.	Hughes Hubbard Appropriately Narrowed the Case in Good Faith.....	23
5	IV.	THE MOTION ALSO MUST BE DENIED ON PROCEDURAL GROUNDS .....	23
6	A.	Defendants Do Not Specify Which Fees Are Attributable to Hughes Hubbard .....	23
7	B.	Cooley's Billing Records Are Too Vague to Determine Reasonableness .....	24
8	CONCLUSION .....	25	
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			

1                   **TABLE OF AUTHORITIES**

	2                   Page(s)
3 <b>CASES</b>	
4 <i>Alyeska Pipeline Serv. Co. v. Wilderness Soc'y,</i> 5                    421 U.S. 240 (1975).....	3
6 <i>Amsted Indus. v. Buckeye Steel Castings Co.,</i> 7                    23 F.3d 374 (Fed. Cir. 1994).....	5, 6
8 <i>Anderson v. Nextel Retail Stores, LLC,</i> 9                    2010 U.S. Dist. LEXIS 71598 (C.D. Cal. June 30, 2010) .....	25
10 <i>Atl. Recording Corp. v. Anderson,</i> 11                  2008 U.S. Dist. LEXIS 121070 (D. Or. June 24, 2008) .....	25
12 <i>Beckman Instruments, Inc. v. LKB Produkter AB,</i> 13                  892 F.2d 1547 (Fed. Cir. 1989).....	24
14 <i>Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.,</i> 15                  393 F.3d 1378 (Fed. Cir. 2005).....	5
16 <i>Chalmers v. Los Angeles,</i> 17                  796 F.2d 1205 (9th Cir. 1986), amended, 808 F.2d 1373 (9th Cir. 1987) .....	25
18 <i>Chambers v. NASCO, Inc.,</i> 19                  501 U.S. 32 (1991).....	5
20 <i>Computer Prepared Accounts v. Katz,</i> 21                  235 Cal. App. 3d 428 (1991) .....	3, 4
22 <i>Doyle v. Superior Court,</i> 23                  226 Cal. App. 3d 1355 (1991) .....	4
24 <i>Ethicon, Inc. v. United States Surgical Corp.,</i> 25                  135 F.3d 1456 (Fed. Cir. 1998).....	22
26 <i>Fink v. Gomez,</i> 27                  239 F.3d 989 (9th Cir. 2001) .....	6
28 <i>Forest Labs., Inc. v. Abbott Labs.,</i> 29                  339 F.3d 1324 (Fed. Cir. 2003).....	4
30 <i>Frances Kenny Family Trust v. World Sav. Bank FSB,</i> 31                  2005 U.S. Dist. LEXIS 2403 (N.D. Cal. Jan. 19, 2005) .....	14
32 <i>Galen v. County of Los Angeles,</i> 33                  477 F.3d 652 (9th Cir. 2007) .....	9

1	<i>Gomez v. Vernon</i> , 255 F.3d 1118 (9th Cir. 2001) .....	14
2	<i>Hess v. Ramona Unified Sch. Dist.</i> , 2008 U.S. Dist. LEXIS 102743 (S.D. Cal. Dec. 19, 2008).....	25
3		
4	<i>Hyde v. Midland Credit Mgmt., Inc.</i> , 567 F.3d 1137 (9th Cir. 2009) .....	4
5		
6	<i>Idaho Watersheds Project v. Jones</i> , 253 Fed. Appx. 684 (9th Cir. 2007).....	13
7		
8	<i>In re Keegan Mgmt. Co. Secs. Litig.</i> , 78 F.3d 431 (9th Cir. 1996) .....	6, 15
9		
10	<i>Jewels Connection v. Czar Jewelry/Oro Direct</i> , 2011 Cal. App. Unpub. LEXIS 971 (Feb. 8, 2011) .....	3
11		
12	<i>Jordan v. Multnomah County</i> , 815 F.2d 1258 (9th Cir. 1987) .....	24, 25
13		
14	<i>Karam v. City of Burbank</i> , 352 F.3d 1188 (9th Cir. 2003) .....	9
15		
16	<i>Kennedy v. Allied Mut. Ins. Co.</i> , 952 F.2d 262 (9th Cir. 1991) .....	17
17		
18	<i>Mach. Corp. of Am. v. Gullfiber Ab</i> , 774 F.2d 467 (Fed. Cir. 1985).....	3
19		
20	<i>Maxwell v. Angel-Etts of Cal., Inc.</i> , 2001 U.S. Dist. LEXIS 25419 (C.D. Cal. Dec. 10, 2001), <i>reversed on other grounds</i> , 53 Fed. Appx. 561 (2002).....	25
21		
22	<i>Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersysteme GMBH</i> , 603 F.3d 943 (Fed. Cir. 2010).....	6, 13
23		
24	<i>Messick v. Horizon Indus.</i> , 62 F.3d 1227 (9th Cir. 1995) .....	17
25		
26	<i>Monolith Portland Midwest Co. v. Kaiser Aluminum &amp; Chem. Corp.</i> , 407 F.2d 288 (9th Cir. 1969) .....	3
27		
28	<i>Nat'l Presto Indus. v. West Bend Co.</i> , 76 F.3d 1185 (Fed. Cir. 1996).....	5
29	<i>Nat'l Warranty Ins. Co. v. Greenfield</i> , 2001 U.S. Dist. LEXIS 7763 (D. Or. Feb. 8, 2001).....	25
30	<i>Nelson v. City of Davis</i> , 571 F.3d 924 (9th Cir. 2009) .....	18

1	<i>Operating Eng'rs Pension Trust v. A-C Corp.</i> , 859 F.2d 1336 (9th Cir. 1988) .....	14
2		
3	<i>Pacific Harbor Capital, Inc. v. Carnival Air Lines, Inc.</i> , 210 F.3d 1112 (9th Cir. 2000) .....	5
4		
5	<i>Painton &amp; Co. v. Bourns, Inc.</i> , 442 F.2d 216 (2d Cir. 1971).....	20
6		
7	<i>People v. McKenzie</i> , 34 Cal. 3d 616 (1983) .....	14
8		
9	<i>Pfingston v. Ronan Eng'g Co.</i> , 284 F.3d 999 (9th Cir. 2002) .....	4
10		
11	<i>Pexion, Inc. v. Placeware, Inc.</i> , 2005 U.S. Dist. LEXIS 41652 (N.D. Cal. Apr. 26, 2005) .....	5
12		
13	<i>Primus Auto. Fin. Servs. v. Batarse</i> , 115 F.3d 650 (9th Cir. 1997) .....	24
14		
15	<i>Qualcomm, Inc. v. Broadcom Corp.</i> , 2010 U.S. Dist. LEXIS 33889 (S. D. Cal. April 2, 2010).....	6
16		
17	<i>Rucklehaus v. Monsanto Co.</i> , 467 U.S. 986 (1984).....	20
18		
19	<i>Sealy, Inc. v. Easy Living, Inc.</i> , 743 F.2d 1378 (9th Cir. 1984) .....	24
20		
21	<i>Simonia v. Glendale Nissan/Infinity Disability Plan</i> , 608 F.3d 1118 (9th Cir. 2010) .....	23
22		
23	<i>United States v. One 2008 Toyota Rav 4 Sports Utility Vehicle</i> , 2012 U.S. Dist. LEXIS 158417 (C.D. Cal. Oct. 18, 2012).....	25
24		
25	<i>Valdez v. Kismet Acquisition, LLC</i> , 474 B.R. 907 (S.D. Cal. 2012).....	24
26		
27	<i>Van Asdale v. Int'l Game Tech.</i> , 577 F.3d 989 (9th Cir. 2009) .....	17
28		
29	<i>Voice Techs. Group, Inc. v. VMC Sys., Inc.</i> , 164 F.3d 605 (Fed. Cir. 1999).....	22
30		
31	<i>Wedgetail, Ltd. v. Huddleston Deluxe, Inc.</i> , 576 F.3d 1302 (Fed. Cir. 2009).....	4, 5
32		
33	<i>Weissman v. Quail Lodge, Inc.</i> , 179 F.3d 1194 (9th Cir. 1999) .....	5

1       *Whitney Bros. Co. v. Sprafkin*,  
 2                   60 F.3d 8 (1st Cir. 1995).....6

3       *Whitworth v. Nat'l Enter. Sys.*,  
 4                   2010 U.S. Dist. LEXIS 49108 (D. Or. Apr. 21, 2010) .....25

5       *Yagman v. Republic Ins.*,  
 6                   987 F.2d 622 (9th Cir. 1993) .....6

## STATUTES

7       28 U.S.C. § 1927.....6, 9

8       35 U.S.C. § 285.....3, 4, 5, 6

9       Cal. Civ. Code § 3426.4.....3, 4, 5

10      Civ. Proc. Code § 128.5 .....3

11      Civ. Proc. Code § 409.3 .....4

## OTHER AUTHORITIES

13      *Milgrim on Trade Secrets* .....20

## RULES

15      Fed. R. Civ. P. 26(a) .....16

16      Fed. R. Civ. P. 26(e)(1)(A) .....21

17      Rule 5-310(B), California Rules of Professional Conduct .....16, 17

19  
 20  
 21  
 22  
 23  
 24  
 25  
 26  
 27  
 28

## **Preliminary Statement**

Having prevailed on liability—albeit only after two motions to dismiss, two summary judgment motions and over four years of hotly contested litigation—Defendants now seek to hold Plaintiffs and their attorneys, Hughes Hubbard & Reed LLP (“Hughes Hubbard”), jointly and severally liable for nearly \$13.5 million in attorneys’ fees and expenses (collectively, “fees”) incurred by Defendants in this case.<sup>1</sup> They would have this Court believe that this litigation was nothing more than a shakedown attempt by a group of liars, cheats and thieves, aided and abetted by their lawyers, who acted in subjective bad faith and repeatedly engaged in litigation misconduct amounting to fraud upon the Court.

Nothing could be further from the truth with regard to Hughes Hubbard. That Plaintiffs and their counsel truly believed in the merits of the case was perhaps best proved by their response to the Court’s order requiring Plaintiffs to post an unprecedented \$800,000 bond if they wished to continue the litigation. As Defendants’ counsel put it: “if it is a real case, they’ll post it.”<sup>2</sup> Plaintiffs then posted the \$800,000 bond. To paraphrase Defendants’ counsel, there is no better evidence that Plaintiffs and their counsel believed this was a “real case.”

Indeed, Hughes Hubbard took on the representation of Plaintiffs only after conducting substantial due diligence, including multiple witness interviews and a review of the pleadings and key documents. Hughes Hubbard took the representation on a contingency fee basis, thus exposing the firm to a substantial loss if the case was lost. Most certainly, Hughes Hubbard did not believe that a quick settlement was in the offing: as far as Hughes Hubbard knew, there had been no settlement discussions since the original Complaint was filed, and Defendant Qualcomm Incorporated (“Qualcomm”) had rejected any notion of settlement. Hughes Hubbard knew that Plaintiffs’ case would likely have to be won after substantial litigation and perhaps trial. It

<sup>1</sup> Motion at 22 (“The Court should find Plaintiffs and their lawyers jointly and severally liable for \$13,465,331.01—the reasonable attorney fees accrued by Defendants in systematically dismantling this meritless lawsuit.”). Recognizing that Hughes Hubbard did not enter the case until 17 months after it was filed, other parts of the Motion appear to seek to hold Hughes Hubbard liable only for fees incurred after it entered its appearance. The Motion is inconsistent in that respect. Nowhere, however, does the Motion say what Hughes Hubbard’s reduced share of the \$13.5 million allegedly is.

<sup>2</sup> See Declaration of E. Marks (“Marks Decl.”), Ex. 1 (9/7/10 Hr. Tr. at 10:11-12; see also 9:16-17, 11:12).

1 would not have taken the matter on if it did not believe that a victory at trial was possible.

2 Hughes Hubbard's good faith belief in the merits of Plaintiffs' case was subsequently  
 3 confirmed by the opinions of four highly-credentialed experts *and* a September 2011 investment  
 4 of \$3.1 million dollars in the case by an intellectual property ("IP") private equity fund whose  
 5 attorneys conducted their own extensive pre-investment due diligence.

6 Once Hughes Hubbard agreed to represent Plaintiffs, it had an obligation to do so  
 7 zealously. That, of course, included opposing Defendants' motions. That Defendants dispute  
 8 the merits of those oppositions or even that the Court ultimately agreed with Defendants is not,  
 9 of course, proof of sanctionable bad faith or litigation misconduct. Otherwise, every victory by  
 10 summary judgment would result in a fee award—which is not the law.

11 The intellectual poverty of Defendants' request for millions of dollars of sanctions  
 12 against Hughes Hubbard is demonstrated by the brevity of that request. Defendants devote  
 13 barely one-and-a-half pages of their 22-page Motion to an "explanation" of why Plaintiffs'  
 14 counsel should be sanctioned. Even Defendants concede that to justify sanctions against Hughes  
 15 Hubbard, they would need to prove bad faith or willful misconduct, but they make no attempt to  
 16 demonstrate that Hughes Hubbard acted in subjective bad faith or knowingly engaged in  
 17 litigation misconduct, other than to boldly assert that Hughes Hubbard "filed" the pleadings to  
 18 which Defendants object. (Motion at 17.) To the contrary, at the end of their one-and-a-half  
 19 page discussion, Defendants reveal their real "justification" for an award of sanctions against  
 20 Hughes Hubbard, namely that, because Plaintiffs are allegedly insolvent, "any sanction in excess  
 21 of the Bond amount that does not reach counsel is no sanction at all." (Motion at 18.) In other  
 22 words, Hughes Hubbard was joined because it has deeper pockets. But that is no justification for  
 23 a multi-million dollar sanction against counsel.<sup>3</sup>

24

25

26

---

27 <sup>3</sup> Moreover, Defendants have not come close to making a proper showing that the fees sought are  
 reasonable. Defendants' billing entries attached as Exhibit E to the Motion are vague, duplicative, and do  
 not identify which fees are attributable to Hughes Hubbard or to which claim. (See Section IV, *infra*.)

## Argument

**I. DEFENDANTS HAVE NO STATUTORY OR COMMON LAW BASIS FOR SANCTIONING PLAINTIFFS' COUNSEL**

The American rule is well established: ordinarily, each party bears its own fees. *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 271 (1975) (American rule "is deeply rooted in our history and in congressional policy; and it is not for us to invade the legislature's province by redistributing litigation costs in the manner suggested by respondents") (superseded on other grounds); *Mach. Corp. of Am. v. Gullfiber Ab*, 774 F.2d 467, 471 (Fed. Cir. 1985). The Motion relies on three narrow exceptions to this rule: (1) Section 285 of the Patent Act, (2) Section 3426.4 of the California Uniform Trade Secrets Act ("CUTSA"), and (3) the Court's inherent authority. But neither Section 285 nor Section 3426.4 applies to attorneys. Even if they did, Defendants have not approached the strict standards for such a sanctions award. Nor have they come close to justifying a sanctions award under the Court's inherent power.

**A. There Is No Authority for Sanctioning Attorneys Under Either 35 U.S.C. § 285 or Cal. Civ. Code § 3426.4**

16 Defendants cite no case law holding that attorneys may be sanctioned under Section 285  
17 of the Patent Act or Section 3426.4 of the CUTSA. And for good reason: no such cases exist.  
18 To the contrary, courts have squarely held that attorneys cannot be sanctioned under either  
19 provision. *See Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d  
20 288, 297 (9th Cir. 1969) (“The purpose of section 285 is not to discipline uncooperative counsel  
21 or counsel who is overzealous in the advocacy of his client’s claims.”); *Jewels Connection v.*  
22 *Czar Jewelry/Oro Direct*, 2011 Cal. App. Unpub. LEXIS 971, at \*12 (Feb. 8, 2011)<sup>4</sup> (reversing  
23 sanctions against attorney because “there is no indication in either the language of section 3426.4  
24 or the cases construing comparable statutory language that the Legislature intended the provision  
25 to operate as a direct sanction against a party’s counsel”).<sup>5</sup>

<sup>4</sup> This case is unpublished and not precedential authority; it is cited for the Court's reference.

<sup>27</sup> We are aware of only one case involving Section 3426.4 where an attorney was held jointly and severally liable for sanctions. *See Computer Prepared Accounts v. Katz*, 235 Cal. App. 3d 428, 433, 439 (1991). But in *Katz*, the court also awarded sanctions under Code of Civil Procedure § 128.5, which

1           Statutory interpretation principles also dictate that attorneys may not be sanctioned under  
 2 either Section 285 or Section 3426.4. In the Ninth Circuit, courts may not use fee-shifting  
 3 statutes to sanction attorneys unless the statute expressly permits it or there is a clear indication  
 4 that Congress intended it. *See, e.g., Hyde v. Midland Credit Mgmt., Inc.*, 567 F.3d 1137, 1140  
 5 (9th Cir. 2009) (reversing sanctions against attorney where Fair Debt Collection Practices Act  
 6 was “silent as to who should pay attorney’s fees and costs”); *Pfingston v. Ronan Eng’g Co.*, 284  
 7 F.3d 999, 1006 (9th Cir. 2002) (reversing sanctions against attorney where “[t]he plain language  
 8 of the False Claims Act does not indicate that fees may be awarded against an attorney”); *Doyle*  
 9 *v. Superior Court*, 226 Cal. App. 3d 1355, 1359 (1991) (reversing award of attorneys’ fees  
 10 against counsel where Code of Civil Procedure § 409.3 made “no express provision for an award  
 11 of attorneys’ fees and costs against counsel”). Here, Section 285 and Section 3426.4 are silent as  
 12 to whether attorneys may be sanctioned, and there is no indication that Congress or the  
 13 California Legislature intended for attorneys’ fees to be assessed against counsel. Thus, the  
 14 Court should not award attorneys’ fees against Hughes Hubbard under either statute.

15           **B. Legal Standards Under 35 U.S.C. § 285 and Cal. Civ. Code § 3426.4**

16           Even if Sections 285 and 3426.4 did permit sanctions awards against attorneys—  
 17 which they do not—Defendants cannot carry their burden under either statute. Section 285 of  
 18 the Patent Act provides that “[t]he court in exceptional cases may award reasonable attorney fees  
 19 to the prevailing party.” 35 U.S.C. § 285; *Forest Labs., Inc. v. Abbott Labs.*, 339 F.3d 1324,  
 20 1328-29 (Fed. Cir. 2003). “Exceptional” cases are narrowly defined as those “involving  
 21 inequitable conduct before the [Patent Office]; litigation misconduct; vexatious, unjustified, and  
 22 otherwise bad faith litigation; a frivolous suit or willful infringement.” *Forest Labs., Inc.*, 339  
 23 F.3d at 1329 (quotations omitted, modification in original); *see also Wedgetail, Ltd. v.*  
 24 *Huddleston Deluxe, Inc.*, 576 F.3d 1302, 1304 (Fed. Cir. 2009) (“only a limited universe of  
 25 circumstances warrant a finding of exceptionality”). Where the defendant is the prevailing party,  
 26 “[a]bsent misconduct in conduct of the litigation or in securing the patent, sanctions may be

---

27           expressly provides for the imposition of fees against counsel as a result of bad faith or frivolous tactics.  
 28 *Id.* at 431, 431 n.2 (attorney sanctioned after submitting forged documents).

1 imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and  
 2 (2) the litigation is objectively baseless.” *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393  
 3 F.3d 1378, 1381 (Fed. Cir. 2005). The burden is on the party seeking attorneys’ fees to prove the  
 4 exceptional nature of the case “by clear and convincing evidence.” *Wedgetail, Ltd.*, 576 F.3d at  
 5 1304. Even when a case is “exceptional,” the district court is not required to award fees. *See*  
 6 *Nat’l Presto Indus. v. West Bend Co.*, 76 F.3d 1185, 1197 (Fed. Cir. 1996) (“[T]he award of  
 7 attorney fees is not automatic, even for the extraordinary case.”).

8       The standard is no less stringent under Section 3426.4 of CUTSA. When an action for  
 9 misappropriation is brought under the CUTSA in “bad faith . . . the court may award reasonable  
 10 attorney’s fees and costs to the prevailing party.” Cal. Civ. Code § 3426.4; *see Pixion, Inc. v.*  
 11 *Placeware, Inc.*, 2005 U.S. Dist. LEXIS 41652, at \*4 (N.D. Cal. Apr. 26, 2005). “Bad faith” for  
 12 purposes of Section 3426.4 requires both (1) objective speciousness of the plaintiff’s claim, *and*  
 13 (2) plaintiff’s subjective bad faith in bringing or maintaining the claim. *See id.* at \*4-5.

14       C.     **Legal Standard Under the Court’s Inherent Authority to Sanction Attorneys**

15       The standard for imposing sanctions under the Court’s inherent power is even more  
 16 stringent than the standards under Sections 285 or 3426.4. Courts have the inherent power to  
 17 levy sanctions, including attorneys’ fees against attorneys as well as litigants, but the Supreme  
 18 Court has limited this authority only to “narrowly defined circumstances”—specifically, when an  
 19 attorney or “a party ha[s] acted in bad faith, vexatiously, wantonly, or for oppressive reasons.”  
 20 *Chambers v. NASCO, Inc.*, 501 U.S. 32, 45-46 (1991) (quotations omitted); *Amsted Indus. v.*  
 21 *Buckeye Steel Castings Co.*, 23 F.3d 374, 378-79 (Fed. Cir. 1994) (sanctions are reserved for  
 22 where “fraud has been practiced upon [the court], or . . . the very temple of justice has been  
 23 defiled”). In the Ninth Circuit, the Court’s inherent sanctioning power is limited to situations  
 24 involving willful abuse of the judicial process, specific and articulated bad faith conduct during  
 25 litigation, or filing specific papers deemed frivolous. *See Pacific Harbor Capital, Inc. v.*  
 26 *Carnival Air Lines, Inc.*, 210 F.3d 1112, 1122 n.2 (9th Cir. 2000); *Weissman v. Quail Lodge,*  
 27 *Inc.*, 179 F.3d 1194, 1198 (9th Cir. 1999).

28       This is an even higher standard than the very high standard under Section 285. As the

1 Federal Circuit has explained, “a case must be ‘sufficiently beyond “exceptional” within the  
 2 meaning of section 285 to justify . . . a sanction under the court’s inherent power.’” *Medtronic*  
 3 *Navigation, Inc. v. BrainLAB Medizinische Computersysteme GMBH*, 603 F.3d 943, 966 (Fed.  
 4 Cir. 2010) (omission in original) (citing *Amsted*, 23 F.3d at 378-79). While recklessness may  
 5 qualify for the imposition of sanctions under other fee-shifting statutes, such as 28 U.S.C.  
 6 § 1927, it does not suffice for sanctions under the Court’s inherent power—specific and  
 7 articulated bad faith by counsel is required. See *Fink v. Gomez*, 239 F.3d 989, 993-94 (9th Cir.  
 8 2001); *In re Keegan Mgmt. Co. Secs. Litig.*, 78 F.3d 431, 436 (9th Cir. 1996); *Yagman v.*  
 9 *Republic Ins.*, 987 F.2d 622, 628 (9th Cir. 1993).

10 Courts should “use caution when invoking [their] inherent powers to impose sanctions.”  
 11 *Amsted*, 23 F.3d at 378; *Yagman*, 987 F.2d at 628 (“[B]ecause of their very potency, inherent  
 12 powers must be exercised with restraint and discretion”) (citations omitted); *Whitney Bros. Co. v.*  
 13 *Sprafkin*, 60 F.3d 8, 13 (1st Cir. 1995) (“[A] court’s inherent power to shift attorneys’ fees  
 14 should be used sparingly and reserved for egregious circumstances.”) (quotations omitted).

15 Defendant Qualcomm is particularly well-versed in how sparing the use of a Court’s  
 16 inherent power to sanction attorneys should be. In *Qualcomm, Inc. v. Broadcom Corp.*, the  
 17 Court sanctioned Qualcomm for committing a fraud upon the Court by hiding critical documents  
 18 and submitting false testimony but chose not to sanction Qualcomm’s attorneys because,  
 19 “although a number of poor decisions were made, the involved attorneys did not act in bad  
 20 faith.” 2010 U.S. Dist. LEXIS 33889 at \*24 (S. D. Cal. April 2, 2010). Here, despite  
 21 Defendants’ overheated rhetoric, there is no evidence Plaintiffs committed a fraud upon the  
 22 Court, much less evidence that Hughes Hubbard acted in bad faith, subjectively or objectively.

23 **II. HUGHES HUBBARD’S SUBJECTIVE GOOD FAITH CANNOT FAIRLY BE  
 24 QUESTIONED.**

25 Indeed, Defendants do not seriously attempt to demonstrate that Hughes Hubbard acted  
 26 in subjective bad faith. They cannot. Rather, they try to accuse *Plaintiffs* of being a group of  
 27 felons and shakedown artists who knowingly brought a frivolous case and Hughes Hubbard of  
 28 guilt by association. Those accusations miss the mark.

1           **A. Defendants' "Corrupt-Officers-and-Directors"-Assisted-by-a-"Convicted-Felon" Argument Is Irrelevant to Hughes Hubbard.**

2

3           Defendants' claims that Plaintiff Gabriel Technologies Corporation ("Gabriel") raised  
 4 money in 2006 and 2007 to prosecute this case with the assistance of Nicholas Fegen, a  
 5 convicted felon, and that Gabriel's then-Board misappropriated those funds is beside the point as  
 6 to Hughes Hubbard. (Motion at 1-3.) Whatever the merits of those claims, and putting aside the  
 7 question of whether Defendants have standing to raise those arguments, by the time Hughes  
 8 Hubbard first considered becoming involved in this case in late 2009, Gabriel had a brand new  
 9 Board and no continuing association with Fegen. (Affidavit of P. Sullivan ("Sullivan Aff.") ¶ 4.)

10          **B. Defendants Have Mischaracterized Emails Between Ex-Employees**

11          Defendants next contend that a series of emails in December 2009 and January 2010  
 12 between two ex-employees of Locate Networks ("Locate"), Gabriel's predecessor-in-interest,  
 13 and a current Gabriel director somehow admit that Plaintiffs never had a case, "just a lot of talk."  
 14 (Motion at 4.) When read fairly in context, those emails say nothing of the sort.<sup>6</sup>

15          Those emails were written at a time when Gabriel was seeking new counsel and further  
 16 funding for the litigation. Plaintiffs' lead counsel, Munck Carter, had just withdrawn and  
 17 Plaintiffs were running out of cash. Munck Carter had refused to turn over its client files to  
 18 Plaintiffs. Thus, the drafters of the emails were actually complaining that, despite several years  
 19 of representation by Munck Carter, Plaintiffs had no collection of key documents or written  
 20 narrative of the litigation to show to replacement counsel or potential investors. The drafters of  
 21 the emails were not opining that the case was frivolous. As John Hall, a Gabriel director,  
 22 explained in one email:

23          Munck Carter never produced the materials the board requested so  
 24 Gabriel could obtain third party financing for the lawsuit. . . . These  
 25 companies talked to Munck Carter requesting material but to no avail.  
 Unacceptable!! and outragoius [sic].

---

26          <sup>6</sup> Defendants first cited those emails, which they obtained from a non-party, in their bond motion. (Dkt  
 27 105; Sullivan Aff. ¶¶ 5-6.) In the current Motion, Defendants claim that their bond motion "relied on a  
 28 series of candid emails" and that "Gabriel barely disputed the contents of the emails" in Plaintiffs'  
 opposition. (Motion at 4.) That is not true. Defendants attached the emails to their *reply*, depriving  
 Plaintiffs of an opportunity to respond in writing. (See Dkt 105-2 at Exs. 1-33). Plaintiffs sought leave to  
 file a sur-reply to address the emails, which was denied. (Sullivan Aff. ¶ 6.)

1 (Marks Decl., Ex. 2 (1/5/10 email from J. Hall to M. Shanley).)<sup>7</sup>

2       **C.     Hughes Hubbard's Good Faith Is Beyond Question**

3 Hughes Hubbard's good faith is amply proven by (1) the due diligence that Hughes  
 4 Hubbard conducted before agreeing to represent Plaintiffs; (2) the credible story of  
 5 misappropriation told by Plaintiffs; (3) four highly-credentialed experts who confirmed that  
 6 Locate had conceived of valuable contributions to assisted GPS ("aGPS") technology that were  
 7 later included in patents filed by Defendants; (4) the fact that Plaintiffs posted an \$800,000 bond  
 8 as ordered by this Court; and (5) the substantial investment in the case made in 2011 by an IP  
 9 private equity fund after the bond ruling and after performing due diligence, assisted by  
 10 experienced counsel.

11       **1.     Hughes Hubbard's Due Diligence**

12       When Plaintiffs filed suit in October 2008, they were represented by Munck Carter. (Dkt  
 13 1.) On December 22, 2009, Munck Carter moved to withdraw due to a conflict of interest  
 14 between Gabriel's old and new Boards of Directors. (Dkt 49). Gregory Williams and Peter  
 15 Sullivan of Hughes Hubbard learned that Plaintiffs were seeking new counsel. (Sullivan Aff.  
 16 ¶ 3.) Before agreeing to represent Plaintiffs, Hughes Hubbard conducted almost 300 hours of  
 17 due diligence including: (1) studying the relevant patent applications and issued patents; (2)  
 18 reviewing company documents and analyses comparing Plaintiffs' technologies and Defendants'  
 19 patents; (3) interviewing multiple witnesses; and (4) conducting legal research. (Sullivan Aff.  
 20 ¶ 7.) Hughes Hubbard would not have taken the case if it believed it had no merit: Hughes  
 21 Hubbard values its professional reputation. (*Id.* ¶ 8.) Nor did Hughes Hubbard believe that a  
 22 quick settlement was likely: Defendants had already rejected that possibility. (*Id.* ¶ 9.)  
 23 Moreover, Hughes Hubbard, who took the case on a contingency fee basis, had no incentive to  
 24 invest thousands of hours of attorney and paralegal time into an unpaid losing effort. (*Id.* ¶ 10.)

25       **2.     Plaintiffs Had A Credible Story**

26       As Hughes Hubbard has tried (albeit unsuccessfully) to explain to the Court on multiple

---

27       <sup>7</sup> At a minimum, Hughes Hubbard's reading of those emails is at least as plausible as Defendants', and the  
 28 emails cannot be construed as an admission of bad faith by anyone, much less by Hughes Hubbard.

1 occasions, Plaintiffs have a credible story to tell of inventorship, sharing with Defendant  
 2 SnapTrack, Inc. (“SnapTrack”), and misappropriation of Locate’s technology by SnapTrack.  
 3 That the Court ultimately granted summary judgment in Defendants’ favor does not detract from  
 4 Hughes Hubbard’s good faith belief in the merits of Plaintiffs’ claims or carry Defendants’  
 5 burden of proving specific and articulated bad faith on Hughes Hubbard’s part. *See, e.g., Galen*  
 6 *v. County of Los Angeles*, 477 F.3d 652, 667 (9th Cir. 2007) (affirming denial of attorneys’ fees  
 7 awarded because the fact that plaintiff “lost at summary judgment does not render his case per se  
 8 frivolous, unreasonable or without foundation”); *Karam v. City of Burbank*, 352 F.3d 1188, 1196  
 9 (9th Cir. 2003) (plaintiff’s “inability to defeat summary judgment” did not mean her claims were  
 10 “frivolous, unreasonable or groundless” to warrant a sanction of fees). Notably, in over four  
 11 years of litigation, Defendants never filed a Rule 11 motion against Hughes Hubbard (or  
 12 Plaintiffs) or sought sanctions for unduly prolonging the litigation under 28 U.S.C. § 1927.

13       Indeed, Hughes Hubbard respectfully disagrees with the Court’s summary judgment  
 14 rulings and has filed a notice of appeal to the Federal Circuit. (Dkt 340.)

15       The facts of this case presented, in Hughes Hubbard’s view, compelling evidence of  
 16 opportunity, motive and misappropriation by Defendants of Plaintiffs’ intellectual property. This  
 17 case arose out of a joint development relationship between Locate and SnapTrack. William  
 18 Clise and Michael Crowson founded Locate, Gabriel’s predecessor-in-interest, in 1998. (Marks  
 19 Decl., Ex. 3 (7/30/10 Clise Aff. ¶ 6).) Clise and Crowson were entrepreneurs with a track record  
 20 of successfully building tech companies from scratch.<sup>8</sup> (*Id.* ¶¶ 3-5.) The objective of Locate was  
 21 to create location-based services, using a pager network. (*Id.* ¶¶ 6-8.) Locate wanted to develop  
 22 pagers and “tags” whose locations could be determined wirelessly, allowing the tracking of  
 23 persons or assets. (*Id.*; Marks Decl., Ex. 4 (Sahai Decl. ¶ 42).) Pagers were more suitable for  
 24 these sorts of purposes than cellular devices because they are smaller, lighter and use less power.  
 25 (Marks Decl., Ex. 5 (9/2/11 Clise Dep. Tr. 192:1-193:6).) Pagers use less power because they

---

26  
 27       <sup>8</sup> In 1986, Mr. Crowson was convicted under the RICO statute for claims unrelated to this litigation. That  
 28 conviction, while regrettable, did not detract from his subsequent successful record as an entrepreneur or  
 disprove his inventive contributions to Locate.

1 are usually in “sleep” mode and only turn on occasionally to send or receive messages. (*Id.*)  
 2 While cellular devices rely on continuous connections during a call, pagers communicate using  
 3 asynchronous (*i.e.*, not continuous) messages. (*Id.* at 190:21-25; Marks Decl., Ex. 6  
 4 (Medvidovic Decl. ¶¶ 32-37).)

5 At the time, it was difficult to determine the location of pagers because they were usually  
 6 in “sleep” mode and did not transmit messages quickly. (Marks Decl., Ex. 4 (Sahai Decl. ¶¶ 42,  
 7 70).) It was also difficult to determine the locations of large numbers of cellular devices because  
 8 a location-determining entity (*e.g.*, a computer) could only serve a limited number of devices at  
 9 once, due to the need for a continuous connection. (Marks Decl., Ex. 6 (Medvidovic Decl.  
 10 ¶¶ 52-53).) Locate invented a solution to this problem. (Marks Decl., Ex. 7 (8/25/11 Crowson  
 11 Dep. Tr. 96:24-98:25).) Clise and Crowson conceived of a system that would handle millions of  
 12 asynchronous messages sent from any number of mobile devices in the field, and send them on  
 13 through land-based networks to location-determining computers. (Marks Decl., Ex. 6  
 14 (Medvidovic Decl. ¶¶ 37-41).) This system, coordinating messages between pagers and land-  
 15 based networks, allowed the location of a pager to be determined efficiently. (Ex. 51 to Sullivan  
 16 Decl. at Dkt 324.) The server software could also be used for cellular devices by chopping a  
 17 transaction into a series of asynchronous messages, allowing the demands of many cellular  
 18 devices to be evenly spread across multiple location-determining entities. (Marks Decl., Ex. 6  
 19 (Medvidovic Decl. ¶¶ 40-41); Ex. 8 (Min Decl. ¶ 61).) Locate’s system was a unique and cutting  
 20 edge method of delivering location-based services using aGPS technology. (Marks Decl., Ex. 6  
 21 (Medvidovic Decl. ¶¶ 32, 44); Ex. 8 (Min Decl. ¶¶ 56-57).) This system architecture was a key  
 22 aspect of Locate’s system and one of its most important trade secrets. (Sullivan Aff. ¶ 13; Marks  
 23 Decl., Ex. 6 (Medvidovic Decl. ¶¶ 32, 44).)

24 By mid-2000, Locate had over fifty employees, including thirty-five engineers. (Marks  
 25 Decl., Ex. 3 (7/30/2010 Clise Aff. ¶ 14).) Because Clise and Crowson were “big picture”  
 26 inventors and not engineers, they relied on Locate’s engineers to create the architecture for the  
 27 software and to write the source code. (Sullivan Aff. ¶ 14.) By 2002, Locate had reduced its  
 28 ideas to practice and created test pagers whose locations could successfully be determined. (*Id.*

1 ¶ 15.) Locate never became a profitable company, however, because its manufacturing partner  
 2 abruptly left the paging business, and when the dot-com bubble burst in 2001, the funding for  
 3 start-up tech companies all but completely dried up. (*Id.*)

4       Locate's product required three components: (1) Locate's server software; (2) hardware  
 5 (*i.e.*, pagers); and (3) aGPS servers to compute information about the location of the devices.  
 6 (Marks Decl., Ex. 3 (7/30/2010 Clise Aff. ¶ 15).) In August 1999, Locate contracted with  
 7 Defendant SnapTrack to provide the aGPS service. (*Id.* ¶ 13.) At that time, SnapTrack's  
 8 products worked only under cellular (not paging) networks, using a direct, continuous (not  
 9 asynchronous) wireless connection between mobile devices and location-determining entities.<sup>9</sup>  
 10 (Marks Decl., Ex. 3 (7/30/2010 Clise Aff. ¶ 12); Ex. 6 (Medvidovic Decl. ¶¶ 45-47) Ex. 8 (Min  
 11 Decl. ¶¶ 40, 41, 50).) The collaboration between Locate and SnapTrack was a technical  
 12 partnership. Their contract provided that both companies would develop technology related to  
 13 Locate's products that would be jointly owned and protected. In March 2000, in the midst of  
 14 that co-development effort, Qualcomm bought SnapTrack. Locate held regular meetings and  
 15 weekly conference calls with SnapTrack and Qualcomm to discuss development of the  
 16 technology. (Dkt 324-17 (Grajski Dep. Tr. 114:19-115:10); Dkt 324-36 (Ressler Dep. Tr. 83:4-  
 17 20).)

18       Plaintiffs' claims arose because the software architecture and techniques in their technical  
 19 documents and disclosures can be traced forward to Qualcomm's later-filed patents. (Marks  
 20 Decl., Ex. 4 (Sahai Decl. ¶¶ 44-53, 56-62); Ex. 6 (Medvidovic Decl. ¶¶ 43-46, 56-59, 65-68, 76-  
 21 81); Ex. 8 (Min Decl. ¶¶ 78-84); Ex. 11 (Garlan Decl. ¶¶ 69-76).) For example, after working  
 22 with Locate, Qualcomm filed U.S. Patent Nos. 7,421,277 and 7,974,639, which include a system  
 23 performing the same functions as Locate's implementation. (Marks Decl., Ex. 6 (Medvidovic  
 24 Decl. ¶¶ 46, 54).) Other examples of developments by Locate that were shared with Defendants  
 25 and ended up in Qualcomm's patents were: (i) methods for reporting the location of a mobile

---

26       <sup>9</sup> As Magistrate Dembin explained: "Again, what I view and what you've agreed to, is really what Locate  
 27 brought to the game was a unique approach to the problem. That SnapTrack didn't have because they  
 28 were looking at it from the wrong perspective or from a perspective that wasn't going to work." (Marks  
 Decl., Ex. 9 (9/29/2011 Hr. Tr. at 41:2-6).)

1 device to emergency services upon the occurrence of specified events; (ii) a method for  
 2 broadcasting acquisition assistance data in advance of need to mobile devices within a region;  
 3 (iii) software to address privacy concerns by controlling access to location information using a  
 4 system of permissions; and (iv) a technique referred to as “context switching” that would power  
 5 off the communications function of the pager while position location functions were occurring.  
 6 (Marks Decl., Ex. 10 (Trade Secret Disclosure); Exs. 4, 6, 8, 11 (Sahai ¶¶ 44-53, 56-62;  
 7 Medvidovic Decl. ¶¶ 56-59, 65-68, 76-81; Min Decl. ¶¶ 78-84; Garlan Decl. ¶¶ 69-76).)

8           In its most basic form, this is a classic “before and after” case. Locate developed  
 9 valuable technology and shared it with SnapTrack and Qualcomm (the “before”). Subsequently,  
 10 SnapTrack and Qualcomm obtained patents that included the very ideas that Locate had  
 11 originated (the “after”). Hughes Hubbard believed in good faith that those facts reasonably led  
 12 to the conclusion that SnapTrack and Qualcomm had misappropriated Locate’s creations and  
 13 wrongfully claimed inventorship on patents without acknowledging Locate’s contributions.  
 14 (Sullivan Aff. ¶ 12.) Nothing in the Motion challenges the good faith of that belief.

### 15           **3. Plaintiffs’ Claims Were Corroborated by Four Experts**

16           Plaintiffs’ version of events was corroborated by the opinions of four highly-respected  
 17 experts: (1) Dr. Nenad Medvidovic, a professor in the Computer Science Department at the  
 18 University of Southern California who has published extensively regarding the architecture of  
 19 message-based software systems; (2) Dr. Anant Sahai, a professor in the Electrical Engineering  
 20 and Computer Sciences Department at the University of California at Berkeley with a PhD from  
 21 MIT; (3) Dr. David Garlan, a professor of Computer Science at Carnegie Mellon University with  
 22 a PhD from Carnegie Mellon who has published over 150 scholarly articles on software  
 23 architecture; and (4) Dr. Paul Min, a professor at Washington University in the Electrical and  
 24 Systems Engineering Department with a PhD in Electrical Engineering from the University of  
 25 Michigan. (See Marks Decl., Exs. 4, 6, 8, 11, 12, 13 (Expert Declarations and Reports).)  
 26 Together, these experts confirmed that Locate made inventive contributions to the aGPS field,

27

28

1 and that those contributions could be found in Defendants' patents.<sup>10</sup> *See Idaho Watersheds*  
 2 *Project v. Jones*, 253 Fed. Appx. 684, 687 (9th Cir. 2007) ) ("[W]hen a plaintiff's claim is  
 3 supported by expert testimony, it is generally not frivolous."); *Medtronic*, 603 F.3d at 959.

#### 4. Posting the \$800,000 Bond Confirmed Plaintiffs' Belief in Their Case

5 In September 2010, at Defendants' request, the Court directed Plaintiffs to post an  
 6 \$800,000 bond as security for costs, expenses and attorneys' fees that Defendants would likely  
 7 incur in defending against Plaintiffs' claims. (Dkt 110.) At the bond hearing, Plaintiffs' counsel  
 8 made very clear that "the purpose of this motion is to try and put an end to this case" because  
 9 Defendants did not believe that this was "a real case." (Marks Decl., Ex. 1 (9/7/10 Hr. Tr. at  
 10 9:16-17; 10:11-12; 11:12).) Indeed, Defendants' counsel dared Plaintiffs to put up the bond "if it  
 11 is a real case." (*Id.*) Plaintiffs did file the \$800,000 bond, proving that this was (and is) "a real  
 12 case." (Dkt 121.) If Hughes Hubbard had any doubt that this was (and is) "a real case"—which  
 13 it did not—the filing of that bond erased that doubt. (Sullivan Aff. ¶ 19.)

#### 5. The North Water Investment Furthers the Good Faith of the Case

15 On September 16, 2011, nearly a year after the bond motion was decided, Gabriel issued  
 16 \$3.1 million in senior secured notes to North Water Intellectual Property Fund L.P. 3A ("North  
 17 Water"), the proceeds of which were to be used to fund this litigation. (Marks Decl., Ex. 14  
 18 (8K).) The only way North Water could ever expect to be repaid on its investment was if  
 19 Plaintiffs prevailed in this action. (Sullivan Aff. ¶ 20.) Before investing, North Water and its  
 20 counsel, a firm with a nationally renowned IP department, conducted substantial due diligence.  
 21 Common sense compels the conclusion that North Water would not have made so substantial an  
 22 investment in this case unless it concluded that there was a reasonable prospect for success.<sup>11</sup>

23 \* \* \*

24 In sum, there can be no dispute that Hughes Hubbard prosecuted Plaintiffs' claims  
 25 zealously and in good faith, as it was ethically obligated to do. *See, e.g., Operating Eng'r's*

---

26<sup>10</sup> The Court never addressed the merits of the opinions of the four experts.

27<sup>11</sup> \$2.1 million of North Water's investment was used to pay expert fees, a few of Gabriel's administrative  
 28 expenses, and litigation costs. The remainder was paid to Hughes Hubbard as a partial payment for its  
 accrued fees. (Sullivan Aff. ¶ 21.)

1        *Pension Trust v. A-C Corp.* 859 F.2d 1336, 1344 (9th Cir. 1988) (“Rule 11 must not be construed  
 2 so as to conflict with the primary duty of an attorney to represent his or her client zealously.  
 3 Forceful representation often requires that an attorney attempt to read a case or an agreement in  
 4 an innovative though sensible way.”) (citations omitted); *People v. McKenzie*, 34 Cal. 3d 616,  
 5 631 (1983). That is reason enough to deny Defendant’s Motion against Hughes Hubbard.

6        **III. DEFENDANTS’ EXAMPLES OF “LITIGATION MISCONDUCT” ARE  
 7 ILL-FOUNDED**

8        In addition to arguing that the entire case was frivolous, Defendants also seek to hold  
 9 Hughes Hubbard liable for specific instances of alleged “misconduct during litigation.” (Motion  
 10 at 2, 14.) However, none of Defendants’ examples measure up to the standard for sanctionable  
 11 misconduct, much less conduct worthy of \$13.5 million in sanctions. There is no comparison  
 12 between the conduct cited by Defendants, which Hughes Hubbard undertook in good faith in the  
 13 zealous representation of its clients, and the sorts of extraordinary misconduct that have been the  
 14 subject of sanctions issued under a court’s inherent powers. *See Gomez v. Vernon*, 255 F.3d  
 15 1118 (9th Cir. 2001) (attorney received privileged documents and retained them after receiving a  
 16 contrary ethics opinion); *Frances Kenny Family Trust v. World Sav. Bank FSB*, 2005 U.S. Dist.  
 17 LEXIS 2403 (N.D. Cal. Jan. 19, 2005) (attorney filed multiple lawsuits on behalf of fraudster  
 18 and knowingly failed to disclose twenty years’ worth of dispositive, adverse case law). Nor do  
 19 Defendants make any effort to connect examples of alleged misconduct to specific fees.

20        **A. The Filing of the Fifth Amended Complaint**

21        Defendants’ citation of the filing of a Fifth Amended Complaint “without permission” is  
 22 much ado about nothing. (Motion at 4.) As Hughes Hubbard explained at the time, that filing  
 23 was a simple mistake. Hughes Hubbard incorrectly believed that the Magistrate Judge had given  
 24 Plaintiffs leave to file a fraudulent concealment claim. (Sullivan Aff. ¶ 23.) When the Court  
 25 pointed out Hughes Hubbard’s mistake, Plaintiffs promptly moved for leave to file the Fifth  
 26 Amended Complaint. (*Id.*) The Court allowed that motion to be filed. Defendants opposed  
 27 leave, arguing that the new fraudulent concealment claim was substantively the same as a  
 28 previously dismissed fraudulent inducement claim. (Dkt 88 at 3-6.) Plaintiffs disagreed—but

1 the Court denied leave to amend. (Dkt 104.) This was most certainly not abusive conduct. It  
 2 was a mistake, plain and simple. And there was no harm to Defendants or the Court: Plaintiffs  
 3 had permission to file for leave to amend; that is what was ultimately filed; and the motion was  
 4 denied. No harm, no foul. *See Keegan*, 78 F.3d at 436 (reversing sanctions for recklessly filing  
 5 a complaint when the complaint was not frivolous and there was no showing of bad faith).

6       **B. Gabriel's Relocation to California Was Not a Deception**

7           Defendants further claim that Gabriel was “caught in a deception” when it asserted it had  
 8 moved its headquarters and, hence, was not subject to the statutory bond requirement. (Motion  
 9 at 5). Once again, Defendants have substantially overstated their case.

10          These are the facts. In May 2010, nearly two months *before* Defendants filed their bond  
 11 motion (Dkt 81), Gabriel’s Board authorized opening an office in San Francisco, where Gabriel’s  
 12 Chief Executive Officer, George Tingo, resided. Although the Board minutes did not  
 13 specifically say so, Tingo verified under oath that the Board’s intent was to transfer Gabriel’s  
 14 headquarters from Nebraska to California. (Marks Decl., Ex. 15 (Tingo Aff. ¶ 7).) Gabriel no  
 15 longer had any assets, operations or employees in Nebraska. (*Id.* ¶¶ 2-5.) Tingo rented an  
 16 apartment in Gabriel’s name in San Francisco but failed to get the landlord’s written permission  
 17 to use the apartment as an office; he received only oral permission. Tingo also forgot at that time  
 18 to immediately change the designation of Gabriel’s headquarters on state and Securities and  
 19 Exchange Commission filings, although this was later corrected. (*See* Dkt 110 at 7.)

20          Tingo stated, under oath and without equivocation, that Gabriel intended to move its  
 21 headquarters to California without regard to the bond motion. Gabriel did not document that  
 22 transfer well in writing, but there is no evidence that Plaintiffs—much less Hughes Hubbard—  
 23 intended to defraud the Court. And in any event, there was no harm to Defendants or the Court  
 24 because Hughes Hubbard conceded in Plaintiffs’ opposition brief that, wherever Gabriel’s  
 25 headquarters was located, the Court had the inherent authority to require a bond. (Dkt 90 at 7.)  
 26 Given that concession, there would have been no point in attempting to deceive the Court about  
 27 the location of Gabriel’s headquarters.

28

1           **C.     The Angus Contingent Interest Is a False Issue**

2           Defendants also claim that Hughes Hubbard improperly submitted an affidavit by Allan  
 3 Angus, the former Chief Technology Officer (“CTO”) of Gabriel, that “violated California Rule  
 4 of Professional Conduct 5-310(B)” because Angus has a contingent interest in the outcome of the  
 5 litigation. (Motion at 8.)<sup>12</sup> The facts are considerably more complicated.

6           In 2009, Angus was laid off by Gabriel, but later rehired as a non-testifying consultant for  
 7 the litigation. (Marks Decl., Ex. 17 (9/8/2011 Angus Dep. Tr. 71:12-72:1; 152:3-6).) Because  
 8 Gabriel was cash-poor, it reaffirmed a prior feature of Angus’ compensation, a 3.125% interest  
 9 in Trace (a successor to Locate) awarded to him in 2006. (*Id.* at 138:16-141:15.) Because Trace  
 10 did not have substantial assets in 2009, Gabriel specified that Angus’ interest would include any  
 11 settlement or judgment in this litigation. At the time, no one at Hughes Hubbard expected Angus  
 12 to be a witness because he did not work at Locate during the key 1999-2002 period. (Sullivan  
 13 Aff. ¶ 25.) For example, Angus was not listed as a witness on Plaintiffs’ Rule 26(a) disclosure.  
 14 (*Id.*) Nor was he identified as a testifying expert. (*Id.*)

15           It was *Defendants* who made Angus a witness by noticing his deposition. (*Id.* ¶ 26.) And  
 16 then it was *Defendants* who cited Angus’ deposition in their motion for summary judgment on  
 17 statute of limitations grounds. (Dkt 188-1 at 24.) In Hughes Hubbard’s judgment, Defendants  
 18 mischaracterized Angus’ testimony. (Sullivan Aff. ¶ 26.) Accordingly, Plaintiffs submitted an  
 19 affidavit from Angus in opposition to the motion for summary judgment to correct those  
 20 mischaracterizations. (*Id.*) There was no attempt by Plaintiffs to hide Angus’ contingent  
 21 interest: that fact was already disclosed in produced documents and at Angus’ deposition. (*Id.*)

22           To hold that Hughes Hubbard was not allowed to submit Angus’ corrective affidavit  
 23 would give Defendants carte blanche to mischaracterize his deposition testimony without fear of  
 24 being called on it. That cannot be the intent of California’s Rule of Professional Conduct

---

25           <sup>12</sup> Defendants also assert that Maurice Shanley, the former Chief Financial Officer (“CFO”) of Gabriel,  
 26 another affiant, held a contingent interest in the litigation. (Motion at 8.) That is false. In 2006, pursuant  
 27 to an executive incentive bonus plan, Stanley received a 4.6875% interest in the proceeds from a sale of  
 the Company. He did not have a percentage interest in the litigation, which was not even filed in 2006.  
 To the contrary, Gabriel expressly refused to give Shanley a contingent interest in the litigation because it  
 would disqualify him as a witness. (Marks Decl., Ex. 16 (1/28/2010 Email from J. Hall to M. Shanley).)

1 5-310(B). The submission of the Angus affidavit was not litigation misconduct.<sup>13</sup>

2 **D. The Sham Affidavit Rule Was Applied Very Broadly Here**

3 Defendants also allege that Hughes Hubbard should be held jointly and severally liable  
 4 for Defendants' fees because "it was counsel that had responsibility for submitting the sham  
 5 affidavits in opposition to Defendants' first summary judgment motion." (Motion at 17.) Once  
 6 again, Defendants have overstated their case: Hughes Hubbard reasonably believed that the  
 7 affidavits it filed were appropriate under the case law, even though the Court disagreed.

8 The "sham affidavit" rule allows a court to exclude on summary judgment an affidavit  
 9 that seeks to create a disputed issue of fact by directly contradicting the affiant's prior deposition  
 10 testimony. *See Kennedy v. Allied Mut. Ins. Co.*, 952 F.2d 262, 266 (9th Cir. 1991). As the Ninth  
 11 Circuit has explained, the sham affidavit rule "should be applied with caution" because it "is in  
 12 tension with the principle that a court's role in deciding a summary judgment motion is not to  
 13 make credibility determinations or weigh conflicting evidence." *Van Asdale v. Int'l Game Tech.*,  
 14 577 F.3d 989, 998 (9th Cir. 2009) (quotations omitted). "[T]he inconsistency between a party's  
 15 deposition testimony and subsequent affidavit" must be "clear and unambiguous" to render it a  
 16 sham. *Van Asdale*, 577 F.3d at 998-99. Notably, "the non-moving party is not precluded from  
 17 elaborating upon, explaining or clarifying prior testimony elicited by opposing counsel on  
 18 deposition[.]" *Messick v. Horizon Indus.*, 62 F.3d 1227, 1231 (9th Cir. 1995).

19 Here, in their motion for partial summary judgment, Defendants argued that Plaintiffs  
 20 suspected misappropriation (1) as early as January 2003, based on a single email from William  
 21 Clise to a Locate engineer, referring to a SnapTrack presentation as a "direct ripoff" or,  
 22 alternatively, (2) in June 2004, when Qualcomm demanded to renegotiate their contract to  
 23 remove a provision on shared "Program Technology." (Dkt 188.) In their opposition, Plaintiffs  
 24 explained that they did not suspect that Defendants stole their trade secrets until the spring or  
 25 summer of 2005, which was within the statute of limitations. (Dkt 218.) In support, Plaintiffs  
 26

---

27 <sup>13</sup> In any event, Defendants' fees involved in responding to the Angus affidavit were minimal at worst (as  
 28 is true for so many of their examples of alleged litigation misconduct). At most, Defendants had to write a paragraph or two in their summary judgment reply brief to address the topic.

1 submitted affidavits from five witnesses: (1) William Clise, former CEO of Locate; (2) Phil  
 2 DeCarlo, a former Locate engineer; (3) Maurice Shanley, former CFO of Gabriel; (4) Allan  
 3 Angus, former CTO of Gabriel; and (5) Dr. Anant Sahai, one of Plaintiffs' experts.

4 In their reply, Defendants argued that those affidavits should be excluded under the sham  
 5 affidavit rule. (Dkt 221.) Plaintiffs moved for leave to file a sur-reply to respond, but the Court  
 6 denied leave, explaining in its order that Plaintiffs would have an opportunity to respond at oral  
 7 argument. (Dkt 226.) However, the Court ultimately granted summary judgment without oral  
 8 argument. (See Dkt 252 at 1.) Suffice it to say, if given the opportunity to respond, Hughes  
 9 Hubbard would have argued vigorously that Defendants had mischaracterized the sham affidavit  
 10 rule and the affidavits at issue were not "shams" because they were intended to explain and  
 11 clarify prior deposition testimony, and not to contradict the affiant's own prior testimony.  
 12 (Sullivan Aff. ¶ 28.)

13 As Hughes Hubbard would have explained if given the opportunity, Defendants  
 14 improperly convinced the Court to exclude the *Angus* and *DeCarlo* affidavits as contradicting the  
 15 *Clise* and *Shanley* depositions. The sham affidavit rule only applies to affidavits contradicting  
 16 one's *own* deposition testimony. *See Nelson v. City of Davis*, 571 F.3d 924, 928 (9th Cir. 2009)  
 17 ("rationale underlying the sham affidavit rule is that a party ought not to be allowed to  
 18 manufacture a bogus dispute with *himself* to defeat summary judgment" but that rationale does  
 19 not apply to disputes with the testimony of other witnesses) (emphasis in original).

20 Similarly, Hughes Hubbard reasonably believed that neither the Clise nor the Shanley  
 21 affidavits were "shams." Clise's affidavit, for example, states: "I did not suspect SnapTrack or  
 22 Qualcomm of misappropriation of Locate intellectual property until the Fall of 2008." (Marks  
 23 Decl., Ex. 18 (10/18/11 Clise Aff. ¶ 12.)) That was a fair and appropriate explanation of his  
 24 deposition, where he testified that, although he wrote in a 2003 email that a SnapTrack  
 25 presentation "looked like a direct ripoff of our work," he did not think it was "something that  
 26 was IP protected" and misappropriation was "not something that was on our radar right then."  
 27 (Marks Decl., Ex. 19 (8/26/11 Clise Dep. Tr. 36:7-37:25).)

28 Likewise, Shanley's affidavit explained that his concerns in 2004 were over the existence

1 of “Program Technology” that arose from Qualcomm’s demand to re-negotiate the contract, and  
 2 Locate’s desire not to give away valuable contract rights without compensation. He did not have  
 3 a concern at that time that Defendants had misappropriated Locate’s IP. (Marks Decl., Ex. 20  
 4 (10/18/2011 Shanley Aff. ¶¶ 4-5).) That statement was entirely consistent with Shanley’s  
 5 deposition, where he testified that the reason Locate consulted with an attorney in 2004 was to  
 6 determine “whether or not there was any need for us to either execute the revised agreement or  
 7 look [at] what was behind the technology that somebody wanted to get control of.” (Marks  
 8 Decl., Ex. 21 (6/2/2011 Shanley Dep. Tr. 17:11-14).) As Shanley further clarified on  
 9 re-direct examination by Plaintiffs’ counsel, referring to the discussions with Qualcomm in 2004:

10 Q. So Mr. Angus first was trying to review the technology that was  
 11 developed by Locate during the period you just referred to [1999-2000]  
 12 and see what technology was there that was Locate’s; is that correct? . . .

13 A. (Witness nods head.)  
 14 . . .

15 Q. . . . And – and this is prior to looking at Qualcomm patents or  
 16 determining whether there was a match between those two sets of  
 17 information; is that right?  
 18 . . .

19 A. Yes.

20 Q. . . . when did that take place, the period in which Allan Angus was  
 21 reviewing Locate technology?

22 Q. Between September and December of ‘04.

23 Q: . . . And the period in which the comparison of the Locate technology  
 24 developed to the existing Qualcomm patents began in January 2005?

25 A: No, not – prob – probably a little later than that, maybe February,  
 26 March to June.

27 (Id. at 146:18-147:21; *see also* 143:13-147:21).) In short, the so-called “sham” affidavits were  
 28 submitted in good faith. They were not litigation misconduct.<sup>14</sup>

24 **E. Plaintiffs’ Trade Secret Designations Were Served in Good Faith**

25 Defendants further contend that they are entitled to attorneys’ fees because “despite seven  
 26 tries, Plaintiffs have never been able to identify even a single protectable trade secret.” (Motion

---

27 <sup>14</sup> At any rate, the portion of Defendants’ fees spent on responding to these four affidavits would have  
 28 been minimal, amounting to only a few pages of the reply brief.

1 at 7.) Apparently, Defendants believe that Plaintiffs' trade secret misappropriation claim must  
 2 have been pled in bad faith because the Court held that Hughes Hubbard's articulations of those  
 3 trade secrets were not sufficient. Defendants are wrong.<sup>15</sup>

4 Hughes Hubbard respectfully disagrees with the Magistrate Judge's holding that  
 5 Plaintiffs' trade secret designations were insufficient. But, for present purposes, the key point is  
 6 that the Magistrate Judge never suggested that Plaintiffs or Hughes Hubbard were acting in bad  
 7 faith or filing frivolous designations. To the contrary, at the September 29, 2011 hearing on  
 8 Plaintiffs' motion to compel, Magistrate Judge Dembin effectively instructed Plaintiffs' counsel,  
 9 Peter Sullivan, to stop talking because he had won the argument that Trade Secret No. 1 was  
 10 sufficiently stated. (Marks Decl., Ex. 9 (9/29/2011 Hr. Tr. 13:17-14:9).) That the Magistrate  
 11 Judge later changed his mind is unfortunate from Plaintiffs' viewpoint—but his initial inclination  
 12 is ample proof of Hughes Hubbard's good faith. So, too, are the affidavits of Plaintiffs' four  
 13 experts confirming that, in their opinions, Plaintiffs had adequately described trade secrets.  
 14 Marks Decl., Ex. 4 (Sahai Decl. ¶¶ 43-73); Ex. 6 (Medvidovic Decl. ¶¶ 43-88); Ex. 8 (Min  
 15 Decl. ¶¶ 42-98); Ex. 11 (Garlan Decl. ¶¶ 36-77).)

16 **F. Milgrim's Amicus Curiae Brief Was Submitted in Good Faith.**

17 Defendants also accuse Plaintiffs and Hughes Hubbard of having "filed an *ex parte*  
 18 motion for leave to file a [biased] amicus curiae brief by Roger Milgrim." (Motion at 7.)  
 19 Defendants are mistaken. Plaintiffs did not file the *amicus* motion; Milgrim did. (Dkt 234.)

20 In any event, the submission of that brief was not litigation misconduct. Milgrim is the  
 21 author of the seminal treatise on trade secrets, *Milgrim on Trade Secrets*. That treatise has been  
 22 cited by the United States Supreme Court.<sup>16</sup> Defendants' claim that he was "biased" because he  
 23 supported the Plaintiffs' position on trade secrets discovery is spurious. There is no suggestion

---

24 <sup>15</sup> As an initial matter, Defendants have miscounted. Plaintiffs only submitted three trade secret  
 25 designations to the Court. Earlier, during the meet and confer process, Plaintiffs sent four initial versions  
 26 to Defendants' counsel, intended to resolve Defendants' objections. (Sullivan Aff. ¶ 30.) When it  
 27 became clear that Defendants' counsel were never going to accept any of Plaintiffs' designations,  
 28 Plaintiffs filed their first motion to compel. (*Id.*; Dkt 128.) Plaintiffs' final trade secret designation was  
 74 pages long with approximately 100 additional pages of source code listings. (Marks Decl., Ex. 10.)

<sup>16</sup> *Rucklehaus v. Monsanto Co.*, 467 U.S. 986, 1004 n.9 (1984). Milgrim has submitted *amicus* briefs in  
 other cases as well. See, e.g., *Painton & Co. v. Bourns, Inc.*, 442 F.2d 216, 222 (2d Cir. 1971).

1 that he had any relationship with Plaintiffs as a shareholder, investor or otherwise. Nor is there  
 2 any notion that he was paid to provide his opinion—he was not. (Sullivan Aff. ¶ 31.)

3 The Court, as was its prerogative, chose not to accept the Milgrim *amicus* brief. But that  
 4 does not make its submission litigation misconduct.

5       **G. Supplementation of Interrogatory Responses Shows Good, not Bad, Faith.**

6 Defendants also criticize Hughes Hubbard (and Plaintiffs) for supplementing Plaintiffs'  
 7 interrogatory responses regarding omitted inventors, claiming those changes prove the  
 8 inventorship claim "was all a sham." (Motion at 9.) But Defendants have missed the point: the  
 9 Federal Rules require parties to supplement discovery responses when additional facts are  
 10 learned. *See Rule 26(e)(1)(A)* ("A party who has . . . responded to an interrogatory . . . must  
 11 supplement or correct its disclosure or response . . . in a timely manner if the party learns that in  
 12 some material respect the disclosure or response is incomplete or incorrect.").

13 Defendants' naked assertion that Plaintiffs should have been able to identify the omitted  
 14 inventors at the outset of discovery is far too facile. (Motion at 9 ("Plaintiffs should not have  
 15 asserted a claim to correct inventorship on these patents if it [sic] did not know who else  
 16 contributed to the patents after seventeen months of litigation.").) First, Defendants have ignored  
 17 the chronology of events here. And second, Defendants have far over-simplified the process of  
 18 identifying omitted inventors in this case.

19 Hughes Hubbard did not notice its appearance until March 2010—some 17 months after  
 20 the Complaint was filed. (Dkt 62, 63.) Defendants served their first set of interrogatories on  
 21 April 5, 2010—a week and a half after Hughes Hubbard was formally engaged. (Sullivan Aff.  
 22 ¶ 33.) Even though Hughes Hubbard was still gathering facts and interviewing witnesses,  
 23 Plaintiffs timely responded to the first set of interrogatories, only 35 days after they were served.  
 24 (*Id.*; Marks Decl., Ex. 22 (Initial Responses).) In response to Interrogatory No. 1, asking for the  
 25 identification of the omitted inventors for the sixteen patents at issue, Plaintiffs provided names  
 26 for thirteen patents and truthfully stated "Under investigation" for the remaining three. (*Id.* at  
 27 4-6.) Only six weeks later, as a result of Hughes Hubbard's continuing investigation, Plaintiffs  
 28 served supplemental responses, identifying omitted inventors for the remaining three patents and

refining Plaintiffs' prior answers as to certain of the thirteen other patents. (Marks Decl., Ex. 23 (First Suppl. Responses).) Plaintiffs then served their second supplemental responses on May 14, 2012.<sup>17</sup> Two weeks later, on May 29, 2012, Plaintiffs served their third (and final) supplemental responses, before depositions on the inventorship claims commenced.

If Plaintiffs had not amended their interrogatory responses as new facts were discovered, it might be understandable for Defendants to complain. But Hughes Hubbard (and Plaintiffs) did exactly what the Rules require. That is textbook good faith.

Perhaps more to the point, Defendants substantially understate the difficulty Hughes Hubbard faced in identifying the individuals who were omitted inventors. Locate developed its inventions in 1999 through 2001, some *ten years* before Defendants' interrogatories were served. (*See pp. 9-12 supra.*) Those inventions were the result of a group effort, involving both laymen (Clise and Crowson) and Locate engineers. (*Id.*) None of the potential omitted inventors was still employed by Plaintiffs. Many had relocated, requiring extensive travel by Hughes Hubbard. (Sullivan Aff. ¶ 38.) Moreover, many of the potential inventors—particularly Clise and Crowson—were not skilled in the art of reading patents. *See Voice Techs. Group, Inc. v. VMC Sys., Inc.*, 164 F.3d 605, 615 (Fed. Cir. 1999) (“Patents are written not for laymen, but for and by persons experienced in the field of the invention.”); *Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456, 1465 (Fed. Cir. 1998) (“[A] layman, untrained in the language of the patent law, may reasonably err in interpreting claim language.”).

Given those facts, it was hardly surprising that it was time consuming to pin down exactly who was an omitted inventor on patents drafted by SnapTrack or Qualcomm, or that witnesses would get confused at depositions as to whether they were omitted inventors on all or part of a patent. To cite just one example, Defendants make much of the fact that Clise testified at his deposition that he was not an inventor of the ‘402 patent. (Motion at 11.) But they left out Clise’s testimony that he did not “even understand most of the formulas” in the Qualcomm

---

<sup>17</sup> The delay between the first and second supplemental responses was due to the stay of discovery related to the patent claims issued by Magistrate Judge Porter in February 2011, and later continued by Magistrate Judge Dembin. (*See Dkt 254 at 2.*) Discovery on the patent claims did not resume until April 2012 after partial summary judgment was granted in part. (*See Dkt 259; Sullivan Decl. ¶ 35.*)

1 implementation described in the disclosure of the ‘402 patent and “would have to have an  
 2 engineer explain it to me and then I could tell you what it meant.” (Marks Decl., Ex. 24 (6/8/12  
 3 Clise Dep. Tr. 768:10-15, 769:2-8.).) That lack of understanding necessarily made it difficult for  
 4 Clise to determine if he invented all or part of that patent.<sup>18</sup>

5 In short, Hughes Hubbard (and Plaintiffs) made their best efforts to correctly identify the  
 6 omitted inventors. That the Court analyzed the underlying facts differently is regrettable—but  
 7 hardly evidence of litigation misconduct.

#### 8       **Hughes Hubbard Appropriately Narrowed the Case in Good Faith**

9 Perversely, Defendants also criticize Hughes Hubbard for withdrawing Plaintiffs’ claims  
 10 as to ten of the sixteen patents originally in dispute. (Motion at 12.)<sup>19</sup> But narrowing a complex  
 11 case like this shows good faith, not bad faith. *See Simonia v. Glendale Nissan/Infinity Disability*  
 12 *Plan*, 608 F.3d 1118, 1121 (9th Cir. 2010) (defendant “evidence[d] good faith” by voluntarily  
 13 dismissing counterclaim after discovering evidence that rendered it not viable).

#### 14     **IV. THE MOTION ALSO MUST BE DENIED ON PROCEDURAL GROUNDS**

15      The Motion also should be denied because Defendants have failed to meet their burden of  
 16 showing that the fees sought are reasonable. It cannot be determined: (1) which fees are  
 17 attributable to Hughes Hubbard versus Plaintiffs, local counsel, or predecessor counsel; (2)  
 18 which fees are attributable to the defense of which claims; or (3) whether the fees are excessive.

#### 19       **Defendants Do Not Specify Which Fees Are Attributable to Hughes Hubbard**

20      The Motion seeks to hold Plaintiffs’ counsel jointly and severally liable for *all* of  
 21 Defendants’ fees incurred during this four-year long litigation. (Motion at 22.) Yet, Hughes  
 22 Hubbard was not even engaged until March 2010, 17 months after the case began. There is no  
 23 basis to hold Hughes Hubbard liable for fees incurred while Plaintiffs were represented by  
 24 predecessor counsel. Even if Defendants seek fees from Hughes Hubbard incurred after its

---

25  
 26      <sup>18</sup> Of course, if Defendants had instead asked Clise if he was an inventor of the Locate technology  
 27 underlying the claims in the ‘402 patent, they likely would have gotten very different answers.

27      <sup>19</sup> In a misleading fashion, Defendants assert that Plaintiffs originally challenged “at least ninety-two U.S.  
 28 and Foreign patents.” (Motion at 12.) As Defendants well know, there were only *sixteen* patents ever at  
 issue. The remainder were duplicate patents in multiple jurisdictions. (Sullivan Aff. ¶ 39.)

1 appearance, Defendants make no attempt to explain which fees were incurred in response to  
 2 Hughes Hubbard's alleged misconduct versus that of Plaintiffs or local counsel. *See Primus*  
 3 *Auto. Fin. Servs. v. Batarse*, 115 F.3d 644, 650 (9th Cir. 1997) ("any sanctions imposed against  
 4 [an attorney] should be based solely on his own improper conduct without considering the  
 5 conduct of the parties or any other attorney.") (quotations omitted); *Valdez v. Kismet Acquisition,*  
 6 *LLC*, 474 B.R. 907, 922 (S.D. Cal. 2012) (bankruptcy court abused its discretion when it "failed  
 7 to limit the sanctions imposed against [counsel] to losses sustained as a result of her particular  
 8 conduct") (quotations omitted). Nor do Defendants make any effort to identify which fees were  
 9 incurred as a result of any specific examples of alleged misconduct by Hughes Hubbard. *See*  
 10 *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1552 (Fed. Cir. 1989) ("Since  
 11 any injustice present in this case is based upon [defendant's] bad faith and misconduct during  
 12 litigation, the penalty imposed must in some way be related to bad faith and misconduct.").

13       **B. Cooley's Billing Records Are Too Vague to Determine Reasonableness**

14       Defendants have also failed to meet their burden of providing sufficient documentation to  
 15 enable the Court to evaluate the reasonableness of their fee request. *See Jordan v. Multnomah*  
 16 *County*, 815 F.2d 1258, 1262-1263 (9th Cir. 1987) ("The fee applicant has the burden of  
 17 producing satisfactory evidence" to demonstrate that the rates requested and hours expended are  
 18 reasonable). Defendants request nearly \$13.5 million in fees, but the 14,724 billing entries  
 19 attached as Exhibit E to Defendants' Motion are excessive, duplicative, vague, and contain non-  
 20 recoverable items. *See id.* at 1263 n.8; *Sealy, Inc. v. Easy Living, Inc.*, 743 F.2d 1378, 1385 (9th  
 21 Cir. 1984) ("Though plaintiff's counsel submitted voluminous records to show that over 2,515.5  
 22 hours had actually been spent on this case, there is no showing that the time actually spent was  
 23 reasonably necessary.") (disapproved on other grounds). Numerous problems with Cooley's  
 24 billing entries amount to at least \$8,605,731, plus \$391,928 in contract attorneys' fees, that  
 25 cannot be awarded. (*See* Marks Decl., Exs. 25-31) Nor should the \$2,829,349 in expenses for  
 26 the H5 algorithm be awarded. For example:

- 27       • **Pre-Dating Hughes Hubbard's Engagement:** The first 97 pages of Exhibit E are  
 28 dated before Hughes Hubbard's appearance. Those fees, totaling \$1,966,159, cannot  
 be imposed against Hughes Hubbard. (Marks Decl., Ex. 25.)

- 1     • **Unidentified Billers:** Of the 82 individuals in Exhibit E who billed time to this  
2 matter, we were able to identify only 53 as attorneys or paralegals and 4 as librarians.  
3 The additional 25 are not identifiable. It is thus impossible to determine whether their  
4 rates are reasonable. *See Jordan*, 815 F.2d at 1262-63. (Marks Decl., Ex. 26.)
- 5     • **Excessive Timekeepers:** Frankly, it is highly unreasonable for 82 Cooley individuals  
6 to have billed time to the matter, including at least 53 attorneys and paralegals, plus  
7 18 contract attorneys—especially considering it never went to trial. *See Chalmers v.*  
8 *Los Angeles*, 796 F.2d 1205, 1210 (9th Cir. 1986), *amended*, 808 F.2d 1373 (9th Cir.  
9 1987); *Maxwell v. Angel-Ets of Cal., Inc.*, 2001 U.S. Dist. LEXIS 25419, \*23-24  
10 (C.D. Cal. Dec. 10, 2001), *reversed on other grounds*, 53 Fed. Appx. 561 (2002).
- 11     • **Overstaffed Projects:** Exhibit E also shows that multiple attorneys unnecessarily  
12 attended calls or meetings. *See Nat'l Warranty Ins. Co. v. Greenfield*, 2001 U.S. Dist.  
13 LEXIS 7763 at \*14 (D. Or. Feb. 8, 2001); *Whitworth v. Nat'l Enter. Sys.*, 2010 U.S.  
14 Dist. LEXIS 49108, at \*18 (D. Or. Apr. 21, 2010). (Marks Decl., Ex. 27.)
- 15     • **Vagueness:** Many entries in Exhibit E are impermissibly vague and unrecoverable.  
16 Moreover, the \$391,928 in fees incurred by the Black Letter Discovery contract  
17 attorneys are also unrecoverable—their invoices attached as Exhibit G to the Motion  
18 contain no descriptions. *See Hess v. Ramona Unified Sch. Dist.*, 2008 U.S. Dist.  
19 LEXIS 102743, at \*18-19 (S.D. Cal. Dec. 19, 2008) (“Plaintiff communication,”  
20 “Draft Pl memo and supporting docs,” “Research for reply,” and “Finalize memo” all  
21 too vague); *Anderson v. Nextel Retail Stores, LLC*, 2010 U.S. Dist. LEXIS 71598, at  
22 \*16 (C.D. Cal. June 30, 2010); *United States v. One 2008 Toyota Rav 4 Sports Utility*  
23 *Vehicle*, at 2012 U.S. Dist. LEXIS 158417, at \*27-28 (C.D. Cal. Oct. 18, 2012); *Atl.*  
24 *Recording Corp. v. Anderson*, 2008 U.S. Dist. LEXIS 121070, at \*17-19 (D. Or. June  
25 24, 2008). (Marks Decl., Ex. 28.)
- 26     • **Nonsensical:** Many entries reflect multiple billings by the same attorney on the same  
27 day for the exact same task. These entries do not make sense and cannot be  
28 recoverable. (Marks Decl., Ex. 29.)
- 29     • **Document Review and Vendor Communications:** Exhibit E lists nearly \$2 million  
30 in fees incurred in collecting and reviewing documents for production. But \$300,000  
31 of that pre-dates Plaintiffs’ first set of document requests. Further, it is unreasonable  
32 that Cooley “collected more than 12 million” records (Motion at 19, emphasis in  
33 original), yet produced only 46,499 documents in the entire case. Hughes Hubbard  
34 should not be responsible for Defendants’ failure to conduct a targeted collection.  
35 (Marks Decl., Exs. 30-31.) For the same reason, the \$2.8 million in expenses for  
36 H5’s algorithm should be unrecoverable—it obviously did not work well and most of  
37 the invoices pre-date Plaintiffs’ document requests. Nor should Cooley’s  
38 communications with its vendors be covered.

### Conclusion

For the foregoing reasons, Hughes Hubbard respectfully requests that Defendants’  
request to hold Plaintiffs’ counsel jointly and severally liable for attorneys’ fees be denied.

Dated: December 14, 2012

LATHAM & WATKINS LLP

By       /s/ Alan E. Kraus

Alan E. Kraus (*pro hac vice*)  
Attorneys for Hughes Hubbard & Reed LLP